

Calcutta Notebook

BJ

India has attained one of the highest rates of economic growth at 8-9 percent under the Manmohan Singh dispensation. But this is not translating into wellbeing or happiness for Indians. India has been ranked at a lowly 71st in wellbeing among 124 countries surveyed by Gallup last year. The problem is that growth in GDP and improvement in wellbeing are totally different ball games. It was pointed out by Nobel Laureate Simon Kuznets, who helped make the concept of GDP in the 1930s that GDP fails on many counts. GDP only counts what is bought or sold in the market. Fees paid to a childcare center for taking care of the child adds to GDP. However, the same care done by the homemaker is not added. Similarly, salary paid to the maid for making a meal is added in GDP. However, if the master marries the maid, the GDP declines because meal prepared by the homemaker is not added. Hurricanes and floods push up GDP because money spent in reconstruction is added to GDP. Countries with more prisons look better than those with fewer prisons because building and running prisons counts as economic activity. And if corporations and the very rich are doing well, then it may appear that majority is okay while actually inequality may increase and most people may be suffering in grinding poverty.

In a study available on the website of Santa Barbara Family Foundation it is shown that the percent of 'very happy' people in the United States has declined from about 34 percent to 32 percent between 1955 and 2005. The average level of income rose from \$8,000 to \$22,000 in the same period. Clearly improvement of standard of living is not leading to improved happiness.

The problem originates with one of the elementary concepts of Economics --that of utility. Nobel Laureate Paul Samuelson explains it thus: A customer buys a banana because he feels that it gives him satisfaction or 'utility'. The first banana gives him certain amount of psychological utility. Now imagine eating a second banana. His utility goes up because the second banana gives him some additional utility. Is that really so, though?

The Gallup poll asked people whether they thought them to be 'thriving,' 'struggling,' or 'suffering'. The poll found that maximum 72 percent people in Denmark thought them to be thriving while only 17 percent thought so in India. Denmark's growth rate is expected to be less than 2 percent while India's is nearly 9 percent yet Danes are well off. The poll sounds a warning bell for India. Yet, the wellbeing index is inherently biased towards the material aspects of life. The Gallup survey asked people whether they were thriving. This immediately has a materialist connotation. One does not necessarily 'thrive' if he is contented. A monk may be contented but he may not be thriving.

There are two levels in the human psyche--conscious and unconscious, the latter includes the subconscious. 'Pleasure' arises at the level of the conscious psyche. One's conscious mind is

held 'in pleasure' by the movie during the three hours in the cinema hall but mind comes back to the problems of home and office as soon as one is outside. The effect of the movie is short-lived because it does not connect with the unconscious. Happiness cannot be defined merely at the conscious level. True happiness arises when the conscious and the unconscious are connected with each other and they 'develop' together. This connection of the conscious and the unconscious can be seen clearly in the persons of Mahatma Gandhi and Vivekananda. On the one hand they listened to the 'inner voice'; on the other hand they were politically or socially active. The correct definition of development, therefore, would be 'holistic development of the psyche'.

It is indeed difficult to construct an index for such a definition.

But there is no alternative. It is better to walk half step in the right direction rather than many steps in the wrong direction. Economists should be asked to construct an index of development along these lines. Proxies can be sought for assessing the state of the psyche. They should apply their minds to the construction of such an index of development which should replace GDP as measure of progress. □□□